

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 SIL-01 SAM-01 FEA-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

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SUBJECT: SPAIN AND GSP

REF: A. STATE 266114

B. EC BRUSSELS 9725

C. EC BRUSSELS 9251

1. REFTEL A, PARA 2 REQUESTS USEC AND MADRID ASSESSMENT OF (A) LIKELIHOOD OF EARLY RESUMPTION OF EC/SPAIN NEGOTIATIONS, AND (B) LIKELIHOOD THAT THE EC WILL AGREE TO GRANT SPAIN TARIFF-CUTTING FLIEXIBILITY SIMILAR TO THAT CONTAINED IN EC/PORTUGAL AND EC/ISRAEL.

2. RESUMPTION OF NEGOTIATIONS BETWEEN THE EC AND SPAIN OBVIOUSLY HINGE ON THE SITUATION IN SPAIN. AS LONG AS FRANCO LIVES THE EC WILL ALMOST SURELY CONTINUE THE SUSPENSION. THE EC IS, HOWEVER, ANXIOUS TO ENCOURAGE AND SUPPORT THE DEMOCRATIC EVOLUTION OF LIMITED OFFICIAL USE

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POST-FRANCO SPAIN AND WE BELIEVE WOULD ACT QUICKLY TO RESUME

NEGOTIATIONS AFTER FRANCO'S DEATH IF JUAN CARLOS, AS IS ANTICIPATED HERE, INDICATED HIS INTENTION TO LIBERALIZE SPANISH POLITICS. BUT IN VIEW OF SPAIN'S JANUARY 1, 1976 DEADLINE FOR US GSP AND THE FACT THAT EVEN IF FRANCO DIED TOMORROW, IT WOULD STILL TAKE A CERTAIN AMOUNT OF TIME TO ORGANIZE THE CONCLUDING ROUND OF NEGOTIATIONS, THE LIKELIHOOD OF NEGOTIATIONS RESUMING BEFORE JANUARY 1, 1976 IS PRACTICALLY NON-EXISTENT.

3. REINFORCING THIS VIEW, THE SPANISH DCM, IN A CALL ON THE CHARGE NOVEMBER 11 ON ANOTHER MATTER, SAID THAT WHEN JUAN CARLOS ASSUMES POWER, HIS GOVERNMENT WILL ALMOST CERTAINLY UNDERTAKE A COMPLETE REVIEW OF ITS APPROACH TO THE NEGOTIATIONS. HE IMPLIED THAT, UNDER THE NEW REGIME, SPAIN MAY NO LONGER JUST WANT A PREFERENTIAL TRADE AGREEMENT BUT MIGHT SEEK TO EXPAND NEGOTIATIONS TO A REQUEST FOR A FORMAL ASSOCIATION ARRANGEMENT, LOOKING ULTIMATELY TOWARD FULL MEMBERSHIP IN THE EC. WE DEFER TO MADRID ON THE ISSUE OF SPANISH TACTICS AND OBJECTIVES, BUT WE BELIEVE THAT ANY SUCH REASSESSMENT/DELAY ONLY UNDERLINES OUR VIEW THAT THERE IS LITTLE LIKELIHOOD THAT THE ISSUES RAISED IN REFTEL A COULD BE SETTLED PRIOR TO JANUARY 1, 1976.

4. EVEN IF EVENTS DID PERMIT RESUMPTION OF THE NEGOTIATIONS WITHIN THE NEXT MONTH TO SIX WEEKS, IT IS VERY UNLIKELY, IN OUR VIEW, THAT THE EC WILL AGREE TO GRANT SPAIN THE SORT OF TARIFF-CUTTING FLEXIBILITY OUTLINED IN REFTEL A. FIRST, WE HAVE NO REASON TO BELIEVE THAT THE TARIFF REDUCTION FORMULA CONTAINED IN THE CURRENT NEGOTIATIONS IS ANYTHING OTHER THAN THE SAME FORMULA CONTAINED IN THE 1970 AGREEMENT (I.E., A PERCENTAGE REDUCTION IN THE APPLIED MFN RATE). SECOND, BEFORE NEGOTIATIONS WERE SUSPENDED, MOST OF THE PROBLEM AREAS HAD REPORTEDLY BEEN SETTLED AND COMMISSION OFFICIALS TELL US ONE MORE GOOD NEGOTIATING SESSION WAS ALL THAT WAS REQUIRED. WITH NEARLY EVERYTHING IN PLACE FOR SETTLEMENT, WE DOUBT THAT EITHER SIDE WOULD AGREE TO IN EFFECT GO BACK TO SQUARE ONE ON THE TARIFF-CUTTING FORMULA.

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